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June 30, 2004

Marlene H. Dortch, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W., TW – A304
Washington, DC 20554

Re: In the Matter of Implementation of the Payphone Reclassification and
Compensation and Provisions of the Telecommunications Act of 1996
CC Docket No. 96-128

Dear Ms. Dortch:

Pursuant to Section 64.1320(b) of the Commission's Final Rules, 47 CFR § 64.1320(b), effective July 1, 2004,¹ AT&T Corp. ("AT&T") hereby submits the System Audit Report of its independent auditors, PricewaterhouseCoopers LLP regarding AT&T's compliance with Section 64.1310(a)(1) of the Commission's Final Rules.

A copy of the System Audit Report has also been provided to the National Payphone Clearinghouse ("NPC") to be posted on their secure website in order to comply with the Commission's requirement to provide a copy to each payphone service provider for which AT&T completes calls.

Please contact the undersigned if you have any questions regarding this filing.

Respectfully submitted,

/s/

Martha Lewis Marcus

cc: Jeff Carlisle
Bill Dever
Darryl Cooper
Denise Coca

¹ See FCC Public Notice, DA 04-1309, rel. May 11, 2004.

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Report of Independent Accountants

To the Board of Directors of AT&T Corp.:

We have examined management's assertions, included in the accompanying *Management's Assertions on AT&T's Payphone Compensation Processes*, that AT&T Corp. (AT&T) has implemented effective procedures and controls within their Payphone Compensation System and Processes, as of June 15, 2004. AT&T's management is responsible for these assertions. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertions referred to above is fairly stated, in all material respects, as of June 15, 2004, based on the criteria defined in the accompanying *Management's Assertions on AT&T's Payphone Compensation Processes*.

This report is intended solely for the information and use of AT&T for purposes of reporting to the Federal Communications Commission, to all payphone service providers for which AT&T completes payphone calls on its platform, and to all facilities-based long distance carriers from which AT&T receives payphone calls. This report is not intended to be and should not be used by anyone other than these specified parties.



PricewaterhouseCoopers LLP
June 25, 2004



Management's Assertions on AT&T's Payphone Compensation Processes

Management of AT&T Corp. ("AT&T" or "the Company") asserts that:

On October 3, 2003, the FCC released its Payphone Order in which it adopted Final Rules concerning the compensation of payphone service providers ("PSPs") and requiring all Completing Carriers to establish their own call tracking system and have a third party attest that the system accurately tracks calls to completion.¹ The effective date of the Final Rules is July 1, 2004.² Based on the new reporting obligations for Completing Carriers, as prescribed in the Final Rules, AT&T represents the following:

1. AT&T has procedures in place to accurately track payphone calls to completion;
2. AT&T has assigned a specific person or persons responsibility for tracking, compensating, and resolving disputes concerning payphone completed calls;
3. AT&T has effective data monitoring procedures in place;
4. AT&T adheres to established protocols to ensure that any software, personnel, or network changes do not adversely affect its payphone call tracking ability;
5. AT&T creates a compensable payphone call file by matching call detail records against payphone identifiers;
6. AT&T has procedures in place that incorporate payphone call data into required reports;
7. AT&T has implemented procedures and controls needed to resolve disputes;
8. AT&T has implemented critical controls and procedures to identify payphone compensation errors; and,
9. AT&T has implemented business rules to identify compensable payphone calls.

The following describes the criteria for the terms "procedures", "assigned", "effective data monitoring procedures", "established protocols", "payphone identifiers", "procedures", "procedures and controls", "critical controls and procedures", and "business rules."

In #1 above, AT&T Management asserts that the Company has "procedures" in place to accurately track payphone calls to completion. As it relates to this assertion, "procedures" will be defined according to the following:

¹ *In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-128, Report and Order, FCC 03-235, released October 3, 2003 ("Report and Order"). A summary of the Report and Order was published in the Federal Register on November 6, 2003. See 68 Fed. Reg. 62751.

² See FCC Public Notice, DA 04-1309, rel. May 11, 2004.

- AT&T has controls in place to ensure that Call Detail Records (CDRs) generated by switches owned or leased by AT&T are interfaced completely to the downstream payphone call tracking systems.
- AT&T has controls in place to identify and eliminate duplicate CDRs from payphone call tracking systems.
- Payphone calls are identified based on the Originating Line Indicator (OLI)/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- AT&T accurately assigns call completion indicators for payphone CDRs based on hardware or software answer types.

In #2 above, AT&T Management asserts that the Company has “assigned” a specific person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls. As it relates to this assertion, “assigned” will be defined according to the following:

- The responsibility for tracking, compensating, and resolving disputes concerning payphone calls has been granted and included in the job description for specific employees.

In #3 above, AT&T Management asserts that the Company has “effective data monitoring procedures” in place. As it relates to this assertion, “effective data monitoring procedures” will be defined according to the following:

- AT&T has documented procedures for monitoring data interfaced from switches owned or leased by AT&T to its call collection system, its usage processing system, and its payphone call tracking system.
- AT&T identifies and takes corrective actions for data irregularities and errors in the payphone process.

In #4 above, AT&T Management asserts that the Company adheres to “established protocols” to ensure that any software, personnel, or network changes do not adversely affect its payphone call tracking ability. As it relates to this assertion, “established protocols” will be defined according to the following:

- AT&T has established a documented system development lifecycle (SDLC) to manage software and network changes.
- AT&T’s SDLC includes testing of software and network changes to determine if they adversely affect its payphone call tracking ability.
- AT&T monitors adherence to the SDLC.
- AT&T restricts access to payphone call tracking systems to authorized personnel.

In #5 above, AT&T Management asserts that the Company has created a compensable payphone call file by matching call detail records against “payphone identifiers.” As it relates to this assertion, “payphone identifiers” will be defined according to the following:

- Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are '27', '29', and '70'.
- Payphone calls are considered compensable based on the business rules criteria defined in Assertion #9.

In #6 above, AT&T Management asserts that the Company has “procedures” in place that incorporate payphone call data into required reports. As it relates to this assertion, “procedures” will be defined according to the following:

- AT&T has procedures to create the following reports accurately and completely from the compensable payphone call file referenced in Assertion #5:
 - A. *Paycomp Total Accum File* – This file follows formatting standards set by the National Payphone Clearinghouse (NPC), and includes the following information:
 - I. The toll-free/access-code numbers dialed from each payphone.

- II. The volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSPs payphones, by call type.
- B. *Paycomp No 8YY* – This file follows formatting standards set by the NPC, and includes the following information:
 - I. The toll-free/access-code numbers dialed from each payphone that did not have Network Remote Access (NRA) and Retail toll-free/access-code type calls.
- C. *Paycomp Count 8YY* – This file follows formatting standards set by the NPC, and includes the following information:
 - I. The NRA and Retail toll-free/access-code numbers dialed from each payphone.
 - II. The volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSP's payphones for NRA and Retail toll-free/access-code type calls.
- D. *Paycomp True Zero Accum File* – This file follows formatting standards set by the NPC, and includes the following information:
 - I. The toll-free/access-code numbers dialed from each payphone that has collect and calling card call types.
 - II. The volume of calls for each toll-free/access-code number completed by the Completing Carrier for each of the PSP's payphones by call type.
- AT&T has established procedures to submit the above reports to the NPC on a timely basis.

In #7 above, AT&T Management asserts that the Company has implemented “procedures and controls” needed to resolve disputes. As it relates to this assertion, “procedures and controls” will be defined according to the following:

- AT&T has documented its process to investigate and resolve disputes with Payphone Service Providers and has posted the process on the NPC's website.
- AT&T logs disputes and follows the published process.
- AT&T maintains payphone CDRs for 18 months that can be utilized for dispute investigations.

In #8 above, AT&T Management asserts that the Company has implemented “critical controls and procedures” to identify payphone compensation errors. As it relates to this assertion, “critical controls and procedures” will be defined according to the following:

- AT&T develops an annual payphone compensation budget by month based on key company and industry trends (e.g., payphone call counts, number of payphones in the industry).
- AT&T analyzes the quarterly payphone compensation invoice at a ‘compensation type’ level (e.g., per-call, surrogate) to identify any deviations from historical trends and current budget.
- AT&T documents and retains trending data related to payphone compensation to use in the budgeting and outlook process.
- AT&T reviews and analyzes the information contained in the Traffic Analysis Report received from the NPC to validate the complete receipt of call records sent to the NPC.

In #9 above, AT&T Management asserts that the Company has implemented “business rules” to identify compensable payphone calls. As it relates to this assertion, “business rules” will be defined according to the following:

- Payphone calls are identified based on the Originating Line Indicator/Information Digits values in the CDRs generated by switches owned or leased by AT&T. Current applicable OLIs are ‘27’, ‘29’, and ‘70’.
- AT&T has controls in place to identify and eliminate duplicate CDRs from payphone call tracking systems.

- Potential compensable payphone calls are identified based on applying the following business rules to the payphone call file:
 - CDRs must be toll-free or access code dialed calls.
 - CDRs must be completed calls based on answer indicator generated by the switch.
- The originating ANI for each call is included in the compensation to the NPC.
- AT&T has engaged the NPC to determine the identities of the PSPs to which AT&T owes compensation. In addition, the NPC performs the following actions:
 - The NPC matches the PSP claims to the LEC reports to validate ownership of the ANI.
 - In the event that ownership cannot be validated from the information provided, the NPC notifies the PSP of the dispute and work with the PSP to resolve the ownership disputes.
 - The NPC calculates compensation for non-flex ANI payphones based on regulated surrogate rates.